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National
Home Center News®

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James W. Sweet,
chairman and
chief executive officer

[illegible]
president and chief operating officer

SCOTTY'S [illegible] BACK

NHCNews Briefs

Industry Update

Hardware Show set back 1 day

SCHAUMBURG, Ill. — The National Hardware Show will be moved back by one day next year, the show sponsor, the American Hardware Manufacturers Assn., announced early this month.

The new dates are Sunday, Aug. 10, through Wednesday, Aug. 13. The event was originally scheduled from Aug. 11 through Aug. 14.

Both the AHMA and show management, the Cahners Exposition Group, reportedly felt it was important to maintain a Sunday opening.

Southwest Forest sells Knox

ST. PAUL — A group of investors, including Knox Lumber Co. president Richard Miller, is purchasing the 10-unit retailer head-quartered here from Southwest Forest Industries, its corporate parent. The purchase price was $29 million, plus the assumption of the chain's liabilities, including $7.3 million in long-term debt identified by Miller as the company's land and buildings.

Southwest announced the signing of the "agreement in principle" on Nov. 25. The Phoenix-based forest products company estimates that its pretax gain on the transaction will be about $5.1 million.

The investor group, led by a three-year-old Houston investment banking firm known as the Sterling Group, is expected to close "by year-end or shortly thereafter."

Miller said he will remain president of Knox and that his three vice presidents, Glenn Frederickson, vp-administration, Jack Walsh, vp-operations, and Mike Carver, vp-merchandising, who also are part of the investor group, will maintain their current positions.

White's embroiled in suit

WICHITA FALLS, Tex. — Twenty dealers have filed suit against White's Stores Inc., here, alleging misrepresentation and violation of Texas antitrust laws. The dealers contend that price setting by White's has prevented them from making a profit.

In the past two quarters, White's has lost more than $80 million, and its parent, Canadian Tire, has taken write-downs totaling $75 million on those losses. In the third quarter, ended Sept. 30, White's suffered a $17.2 million loss, and Canadian Tire's loss equaled $19.6 million on $570.3 million in sales. The third quarter writedown was $25 million.

While it battles with its dealers, White's will also attempt to resolve its financial difficulties. To that end, the company has brought in a new president with a long retailing background. Dean Groussman, a former executive of Target, Dayton Hudson, May's and Zale's, took on the post in late October, replacing Canadian Tire director A. W. (Fred) Billes, who had assumed the position temporarily.

Payless closes 4 in Ariz.

KANSAS CITY, Mo. — Payless Cashways is cutting its store count in Arizona from 11 units to seven units in a consolidation move that when completed next February will leave three stores in the Tucson market and four in the Phoenix market.

The company is closing a Phoenix-area unit in Tempe next Feb. 1 because the store has been open since 1956 and has been outgrown, company officials said.

In Tucson, a Payless unit on Pantano Parkway closed in September, and, next February, two more units will close, including a Payless on North Oracle Road located near a build-to-suit Home Depot that opened in September. The Oracle Road facility is one of the three Wood Brothers Lumber Co. stores acquired by Payless in December 1983.

The other Tucson store to be shuttered, on Feb. 28, is in the path of a highway. It is an outmoded unit which originally opened in 1947.

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Erb's 3rd quarter earnings rise 103% on heels of rebounding economy

By Phillip M. Perry

BIRMINGHAM, Mich. — Invigorated by a rebound in the Midwest economy and by improvements in operations, Erb Lumber has just emerged from a third quarter that, in terms of earnings growth, may be the envy of many home center chains.

The $144 million company reported last month that earnings for its latest three month period totaled $2,366,038, a 103% increase over the performance of the same quarter a year earlier. Revenues increased 42%, to $61,501,000.

Erb's operating results stand out in a home center industry that is taking a buffeting from expansion and renovation expenses. Wall Street has taken heed. Over a two-week period in mid-November, Erb Lumber's stock jumped 11 points to an all-time high of 36½. That represents an increase of 43% over the stock's price before the company's third quarter results were announced in early November.

Last month, Erb took a new step to firm up its management team at a time when it is facing new competition from heavily financed outfits like Home Depot and Builders Square. Bill Green, formerly comptroller for Zickgraf Industries, the $8 million Franklin, N.C., parent of Nantahala Lumber, was brought aboard to fill the newly created position of director of retail operations at Erb. Before his stint with Zickgraf, Green had been employed by Grossman's, the $520 million home center chain based in Braintree, Mass.

Erb's results for its latest quarter are no fluke. Indeed, its earnings for the first nine months of 1985 have totaled $4,327,979, a level 111% above that of the same stretch last year. But whether that kind of pace can be kept up through 1986 is dependent to a large extent on the continuing rebound of the Detroit area economy.

"We've had a good year," said Robert Handley, Erb's controller. "The state of Michigan had been depressed for several years because of the recession's effect on the automobile industry. Now we're back on stream."

And, Detroit has experienced a tremendous building boom that is the envy of most other metropolitan areas in the country. Total housing starts for the first three quarters of the year came to 14,053, an increase of 63% over the same period in 1984. Nationwide, housing starts dropped by 4%, according to the National Assn. of Home Builders.

Erb Lumber has also taken measures to firm up its inter-

(Continued on page 97)

Highlights in this issue

SPECIAL CHAIN PROFILE: SCOTTY'S INC.

Scotty's fights back

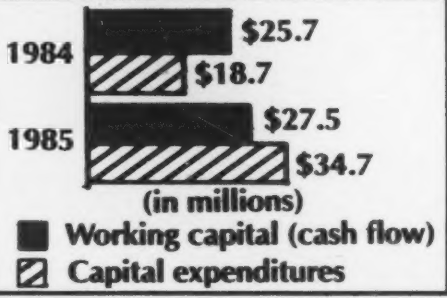
Rebounding from the barrage of warehouse home centers on its home turf, Scotty's has emerged as a textbook example of how to compete against the new generation of competition. A new team of young execs is fighting back.

Page 21

Scotty's owns convenience niche

New *NHCN* study confirms Scotty's strong convenience and commodity image, but suggests shoppers may be turning to Home Depot for large project purchases.

Page 36



Fiscal policy fuels growth

Scotty's is poised to make the first public straight debt offering in its history. Chart shows recent shift in balance of cash flow vs. spending, part of a new, more aggressive fiscal policy. *Page 47*

Traditional values still prevail

Since the days of founder Evanda Hugh Sweet (left), solid, conservative and moral values have guided the firm and still influence how Scotty's does business today. *Page 55*

DC the hub

The heart of Scotty's, its central DC facility, is being expanded to double its storage capacity.
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LUMBER REPORT

Major forest products producers turned in mixed financial results for the third quarter, reflected oversupply, depressed prices, increased imports and a slower housing market. *Page 18*

FINANCIAL NEWS

34 Gainers

5 Unchanged

16 Losers

Gainers outpaced percentage-price losers, 34 to 16, for the two-week period ended Nov. 29. Five home center industry stocks were unchanged.

Retailers' issues gained ground on the Standard & Poor's 500 Index, which closed Nov. 29 at 202.17, up almost 24% from a year ago. Erb Lumber, which announced third quarter earnings growth of 103% over the same quarter a year ago *(see story, page 3)*, was the leading price gainer among retailers in the period. On Nov. 29, Erb closed at $35 per share, a $3 per share increase over the prior two weeks. Among manufacturers, National Gypsum was the top gainers, up 21.8% to $46.76.

Edward Hines Lumber, which last month approved liquidation of all its assets starting with the sale of 26 Edward Hines Lumber stores to former president Ed Hines and his family (*NHCN*, Nov. 18), was the top price-percentage loser for the period. Hines price fell 47.6% to $22.25 over the two-week period ended Nov. 29. Lowe's Cos. saw its stock price drop 8.5% to $23 for the period.

The most active retail stocks, measured on the basis of volume increase over the latest two-week period compared to average volume over the previous 12 weeks, were Wolohan Lumber, Erb Lumber, Homecrafters Warehouse and Home Depot.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Wolohan Lumber M	2,921	523.8	.0
Erb Lumber M	270	449.1	9.4
Natl Gypsum N	20,783	398.9	21.8
Homecrafters Whse M	4,333	324.1	.0
Ply-Gem A	703	310.0	- 1.6

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Insilco Corp N	10,592	282.3	4.5
Pope & Talbot N	1,642	251.3	6.4
Emhart Corp N	5,005	241.5	5.7
Mor-Flo Inds M	826	239.6	5.0
Home Depot N	11,053	231.6	- 3.3

TOP GAINERS

Company & Market	2-Weeks Ended 11-29-85	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Natl Gypsum N	46.75	21.8	20,783
USG Corp N	45.00	10.8	10,717
Erb Lumber M	35.00	9.4	270
La Pacific N	22.75	7.7	7,111
Weyerhaeuser N	30.88	7.4	30,951

TOP LOSERS

Company & Market	2-Weeks Ended 11-29-85	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Hines Ed Lumber O	22.25	- 47.6	13
Allegheny Int N	21.63	- 16.4	7,562
Std Brd Pnt N	20.00	- 11.6	4,666
Waxman Ind M	10.75	- 8.5	1,031
Lowe's Cos N	23.00	- 8.5	9,830

HOME CENTER INDUSTRY MARKET SUMMARY

	Stock Market											Financial Update																	
	Price							Volume																					
													Indicated Divd. Rate		Latest Report			Latest Quarter						Year-to-Date					
	2-Weeks Ended	2-Weeks Change		2-Week Range		52-Week Range		2-Weeks Shares Traded		12-Week Avg. Vol.	Volume Trend	P/E			New		Date	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.	
Company and Market	11-29-85	Amt.	Pct.	High	Low	High	Low	Total	% Out	As % Out	Change	Ratio	Amt.	Yld.	Report	Period	Ended	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Boise Cascade N	44.63	.50	1.1	45.25	43.25	51.00	37.00	7,131	2.62	1.60	63.8	24.4	1.90	4.3	.....	9 mos.	09-85	934.2	- 3.0	20.3	- 37.9	.65	- 42.5	2844.5	- 2.2	85.3	- 9.4	2.84	- 12.3
Color Tile M	19.50	.00	.0	19.88	19.00	20.00	15.25	3,381	3.64	2.26	61.1	13.0	.00	.0	.....	3 mos.	09-85	95.0	25.8	3.3	17.9	.36	16.1	95.0	25.8	3.3	17.9	.36	16.1
Edison Bros N	32.88	- .13	- .4	33.13	32.63	38.25	31.00	373	.37	.27	37.0	15.2	1.60	4.9	.....	9 mos.	09-85	199.2	- 26.4	5.9	- 33.7	.58	- 34.1	561.7	- 27.8	13.6	- 44.5	1.34	- 43.5
Erb Lumber M	35.00	3.00	9.4	36.50	33.00	36.50	18.00	270	3.02	.55	449.1	6.0	.00	.0	.....	9 mos.	09-85	61.4	44.1	2.3	91.7	2.67	105.4	142.3	27.5	4.3	104.8	4.87	112.7
Forest City Ent A	25.13	.13	.5	25.25	24.63	25.25	19.38	39	.10	.31	- 67.7	30.3	.15	.6	.....	6 mos.	07-85	53.5	- 28.6	3.4	36.0	.43	34.4	127.2	1.4	3.6	414.3	.45	309.1
Grace W R N	40.75	1.13	2.8	41.00	39.25	45.00	35.50	9,009	1.86	.95	95.8	12.8	2.80	6.9	.....	9 mos.	09-85	1758.1	6.0	25.3	- 23.6	.41	- 39.7	5246.9	7.1	102.2	- 25.1	1.96	- 30.0
Hechinger A M	17.75	- .25	- 1.4	18.00	17.25	23.19	15.00	2,192	2.51	1.45	73.1	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	19.75	- .75	- 3.7	20.25	19.75	24.19	15.00	1,073	.80	.41	95.1	20.8	.08	.4	.....	6 mos.	07-85	129.3	13.0	7.2	7.5	.30	3.4	243.9	20.6	11.0	8.9	.47	6.8
Hines Ed Lumber O	22.25	- 20.25	- 47.6	42.50	22.25	42.50	22.25	13	.07	.52	- 86.5	16.7	1.00	4.5	NEW	9 mos.	09-85	81.9	- 4.2	1.2	- 45.5	.67	- 46.0	211.3	- .5	2.1	- 8.7	1.20	- 7.7
Homecrafters Whse M	1.75	.00	.0	1.88	1.38	10.00	1.38	4,333	15.31	3.61	324.1	NE	.00	.0	.....	6 mos.	07-85	51.8	19.4	(1.8)	- 100.0	(.64)	- 100.0	97.6	22.2	(3.3)	- 100.0	(1.18)	- 100.0
Home Depot N	11.00	- .38	- 3.3	11.88	10.75	20.38	10.50	11,053	4.41	1.33	231.6	30.6	.00	.0	NEW	9 mos.	10-85	177.7	76.8	1.2	- 63.6	.04	- 69.2	497.0	57.6	5.6	- 46.7	.22	- 47.6
INTERCO Inc N	67.75	- 1.00	- 1.5	69.38	67.63	73.63	58.38	3,147	2.23	2.60	- 14.2	17.0	3.08	4.5	.....	6 mos.	08-85	644.0	- 8.1	23.2	- 4.9	1.47	- .7	1233.0	- 8.4	34.4	- 21.6	2.18	- 17.7
K mart Cp N	35.13	.88	2.6	35.25	33.88	41.50	30.63	39,267	3.13	1.47	112.9	10.9	1.40	4.0	NEW	9 mos.	10-85	5223.2	4.6	77.4	- 16.2	.60	- 15.5	15667.8	10.2	210.7	- 28.5	1.64	- 27.8
Lowe's Cos N	23.00	- 2.13	- 8.5	25.75	22.75	31.13	20.75	9,830	2.71	1.03	163.1	3.8	.36	1.6	.....	9 mos.	10-85	3833.0	756.2	441.1	2406.3	4.90	900.0	4880.9	271.8	473.9	831.0	5.81	312.1
Mich General A	3.50	- .25	- 6.7	4.13	3.25	8.13	3.25	2,178	1.92	.96	100.0	NE	.00	.0	.....	9 mos.	09-85	128.3	3.6	(7.9)	- 100.0	(.69)	- 100.0	335.4	- 2.6	(23.2)	- 100.0	(2.05)	- 100.0
Natl Lumber M	5.00	.00	.0	5.50	4.75	7.50	4.50	345	.61	.32	90.6	21.7	.00	.0	.....	6 mos.	06-85	36.5	9.9	.5	25.0	.09	28.6	67.9	10.0	.7	.0	.12	- 7.7
Pay N Pak N	13.25	.38	2.9	13.50	12.50	15.25	11.50	2,380	2.38	1.38	72.5	14.7	.64	4.8	.....	6 mos.	08-85	90.5	3.1	3.0	- 21.1	.30	- 21.1	173.1	6.7	5.1	- 17.7	.51	- 17.7
Payless Cash N	15.00	- .63	- 4.0	16.38	14.63	23.38	13.50	8,222	2.24	1.54	45.5	13.8	.16	1.1	.....	9 mos.	08-85	379.4	13.4	12.4	- 3.9	.36	- 10.0	1010.0	19.7	27.0	- 2.5	.80	- 7.0
Scotty's Inc N	13.75	.00	.0	13.88	13.38	16.38	12.38	2,411	1.68	.52	223.1	11.2	.52	3.8	.....	3 mos.	09-85	110.3	8.5	2.8	- 17.6	.20	- 23.1	110.3	8.5	2.8	- 17.6	.20	- 23.1
Sears, Roebuck N	36.88	.63	1.7	38.13	36.25	39.13	30.00	63,723	1.75	.85	105.9	10.3	1.76	4.8	.....	9 mos.	09-85	10047.1	3.7	262.2	- 18.5	.71	- 19.3	28647.1	3.4	751.0	- 15.8	2.03	- 17.8
Std Brd Pnt N	20.00	- 2.63	- 11.6	22.63	19.63	23.88	18.13	4,666	4.18	1.58	164.6	11.2	.56	2.8	.....	6 mos.	07-85	95.5	12.5	5.4	- 15.6	.48	- 15.8	176.4	8.4	10.2	- 7.3	.91	- 8.1
Supermkts Gen N	49.00	2.88	6.2	49.38	45.38	49.38	30.50	2,368	1.32	.94	40.4	13.6	.48	1.0	NEW	9 mos.	10-85	1263.6	9.9	24.2	132.7	.68	17.2	3766.3	25.1	42.1	38.9	2.35	38.2
Wolohan Lumber M	5.63	.00	.0	5.88	5.25	7.25	4.50	2,921	4.99	.80	523.8	10.8	.16	2.8	.....	9 mos.	09-85	46.8	12.5	1.2	9.1	.20	5.3	113.3	10.0	2.2	22.2	.38	22.6
Wholesalers																													
Lewis Palmer M	7.75	- .38	- 4.6	8.25	7.63	9.38	6.38	538	1.38	.68	102.9	64.6	.27b	3.5	.....	6 mos.	07-85	37.5	- 6.9	.2	- 60.0	.06	- 57.1	70.5	1.6	.2	- 75.0	.06	- 75.0
Manufacturers																													
Allegheny Int N	21.63	- 4.25	- 16.4	25.88	21.50	28.75	20.25	7,562	7.03	3.42	105.6	NE	1.40	6.5	.....	9 mos.	09-85	511.5	- .9	(71.4)	- 100.0	(7.35)	- 100.0	1519.2	- 1.0	(56.3)	- 100.0	(7.47)	- 100.0
Am Standard N	34.63	1.38	4.1	35.50	32.88	35.50	26.75	13,286	3.38	1.49	126.8	11.7	1.60	4.6	.....	9 mos.	09-85	830.9	.3	28.2	- 3.1	.71	- 5.3	2498.2	6.2	85.8	2.0	2.18	- 4.8
Armstrng Wrld N	42.13	.38	.9	43.50	41.50	43.50	30.38	9,225	3.85	1.55	148.4	10.4	1.30	3.1	.....	9 mos.	09-85	446.7	13.1	28.1	23.2	1.17	23.2	1253.2	5.6	78.3	6.7	3.26	8.7
Black & Decker N	20.50	1.13	5.8	20.63	19.25	26.88	17.25	18,345	3.61	2.05	76.1	NE	.64	3.1	.....	fiscal	09-85	454.3	- 5.9	(195.1)	- 100.0	(3.83)	- 100.0	1732.3	13.0	(158.4)	- 100.0	(3.11)	- 100.0
Certain-teed N	26.00	1.25	5.1	27.00	24.50	28.50	19.75	2,776	1.46	.55	165.5	9.0	.70	2.7	NEW	9 mos.	09-85	304.1	- 7.0	18.3	408.3	.93	447.1	848.0	- 7.4	43.0	45.3	2.18	48.3
Champ Intl N	23.88	1.00	4.4	24.25	22.75	26.75	19.25	23,296	2.51	1.27	97.6	NE	.52	2.2	.....	9 mos.	09-85	1330.4	17.6	37.9	- 5.7	.37	- 43.9	4575.1	33.4	125.0	14.3	1.22	- 31.5
Clopay Corp A	13.25	- .25	- 1.9	13.63	13.00	22.19	11.25	99	.65	.30	116.7	NE	.16	1.2	.....	9 mos.	09-85	38.5	6.6	(1.2)	- 100.0	(.78)	- 100.0	103.7	6.3	(1.7)	- 100.0	(1.10)	- 100.0
DeSoto Inc N	35.38	1.63	4.8	35.38	33.63	37.88	31.25	724	1.52	.61	149.2	11.5	1.40	4.0	.....	9 mos.	09-85	109.2	- 4.5	4.1	- 31.7	.86	- 18.9	330.1	.3	11.3	- 29.4	2.37	- 16.8
Emhart Corp N	30.38	1.63	5.7	30.50	27.88	33.13	26.25	5,005	1.81	.53	241.5	11.2	1.40b	4.6	.....	9 mos.	09-85	421.2	.1	17.0	- 20.6	.61	- 28.2	1290.6	- 4.1	56.4	- 13.0	2.03	- 21.3
Georgia-Pacifc N	24.88	1.38	5.9	25.38	23.50	27.38	20.50	28,727	2.79	1.20	132.5	30.3	.80	3.2	.....	9 mos.	09-85	1752.0	- .3	58.0	- 30.1	.52	- 29.7	5126.0	4.3	174.0	- 20.2	1.56	- 8.8
Insilco Corp N	20.13	.88	4.5	20.88	18.88	20.88	16.63	10,592	5.39	1.41	282.3	12.6	1.00b	5.0	.....	9 mos.	09-85	209.1	1.0	5.9	- 35.2	.30	- 41.2	637.1	5.1	22.5	- 12.5	1.20	- 15.5
La Pacific N	22.75	1.63	7.7	23.38	21.00	24.75	17.63	7,111	2.00	.85	135.3	19.4	.80b	3.5	.....	9 mos.	09-85	332.3	6.3	11.3	63.8	.32	77.8	948.3	.2	18.7	- 11.8	.53	- 10.2
MacMlln Bldel N	14.00	.13	.9	14.00	13.63	21.34	12.47	81	.03	.02	50.0	21.2	.00a	.0	.....	9 mos.	09-85	597.1	- 1.0	12.1	61.3	.18	350.0	1733.7	11.9	22.5	NE	.10	NE
Manville Cp N	5.50	.25	4.8	5.75	5.13	8.63	5.13	5,525	2.30	1.11	107.2	NE	.00	.0	.....	9 mos.	09-85	471.4	- 4.0	(98.6)	- 100.0	(4.37)	- 100.0	1405.4	3.5	(66.0)	- 100.0	(3.53)	- 100.0
Masco Corp N	37.75	1.63	4.5	37.88	35.75	37.88	25.75	6,545	1.13	.72	56.9	25.7	.64	1.7	.....	9 mos.	09-85	NC	NC	(48.6)	- 100.0	(.10)	NE	449.1	- 44.2	23.2	- 75.4	1.14	- 31.7
Mor-Flo Inds M	15.75	.75	5.0	15.75	15.00	20.25	14.50	826	3.26	.96	239.6	7.4	.01	.1	.....	9 mos.	09-85	47.0	9	.3	- 81.3	.11	- 82.5	153.0	3.9	3.7	- 22.9	1.45	- 24.5
Natl Gypsum N	46.75	8.38	21.8	47.25	37.75	47.25	22.69	20,783	9.08	1.82	398.9	8.9	1.52	3.3	.....	9 mos.	09-85	468.0	4.2	35.1	24.9	1.53	26.4	1277.4	- .8	96.6	18.4	4.16	18.9
Newell Co N	22.25	.25	1.1	22.50	21.50	22.50	14.88	1,572	1.83	.73	150.7	11.5	.60	2.7	.....	9 mos.	09-85	92.2	36.4	5.4	74.2	.60	66.7	253.4	15.9	13.4	34.0	1.48	27.6
Owens Corning N	35.63	.50	1.4	35.88	34.88	37.00	30.50	6,666	2.24	.80	180.0	8.7	1.40	3.9	.....	9 mos.	09-85	870.5	8.0	38.9	11.8	1.31	11.0	2338.4	3.2	87.1	8.5	2.94	7.7
Ply-Gem A	15.63	- .25	- 1.6	16.00	15.13	16.50	12.50	703	1.64	.40	310.0	14.1	.16	1.0	.....	9 mos.	09-85	39.5	- 2.7	1.1	37.5	.25	31.6	123.0	- .2	3.1	- 3.1	.77	- 12.5
Pope & Talbot N	18.75	1.13	6.4	18.75	17.38	21.50	15.25	1,642	2.74	.78	251.3	81.5	.80	4.3	.....	9 mos.	09-85	82.0	- .6	2.1	NE	.34	NE	250.3	3.8	6.1	48.8	1.01	46.4
Potlatch Cp N	37.00	- 1.50	- 3.9	38.50	36.00	43.63	28.38	2,074	1.35	3.29	- 59.0	14.7	1.56	4.2	.....	9 mos.	09-85	239.6	- 3.8	11.3	1.8	.65	1.6	722.9	- 4.6	33.3	- 15.9	1.93	- 13.1
Sherwin-Wms N	41.50	1.00	2.5	42.25	40.38	42.25	25.50	2,190	.95	.74	28.4	13.1	.92	2.2	.....	9 mos.	09-85	578.8	4.8	29.1	15.0	1.26	13.5	1677.5	6.6	63.3	13.2	2.75	13.2
SW Forest Ind N	10.63	.63	6.3	11.00	9.88	16.63	9.88	4,099	4.41	2.40	83.8	NE	.00	.0	.....	9 mos.	09-85	181.6	- 10.6	(2.8)	- 100.0	(.45)	- 100.0	530.9	- 9.6	(7.3)	- 100.0	(1.25)	- 100.0
Stanley Works N	31.13	.88	2.9	32.00	30.00	32.00	23.88	3,193	1.15	.55	109.1	11.4	1.04	3.3	.....	9 mos.	09-85	297.1	.8	19.4	7.2	.70	7.7	885.9	3.9	52.6	5.2	1.92	7.3
Thos Inds N	19.38	.50	2.6	20.00	18.75	20.00	15.13	511	.60	.37	62.2	10.4	.68b	3.5	.....	9 mos.	09-85	79.1	- .5	4.9	14.0	.57	14.0	231.9	8.1	12.0	.0	1.41	.0
Triangle Pac N	36.25	.75	2.1	37.00	35.38	37.00	23.00	896	2.37	1.05	125.7	10.0	1.00	2.8	.....	9 mos.	09-85	69.0	- 3.5	4.7	9.3	1.24	21.6	198.2	- 4.5	11.6	8.4	2.90	12.0
USG Corp N	45.00	4.38	10.8	46.50	40.63	46.50	26.38	10,717	3.21	1.05	205.7	7.1	1.68	3.7	.....	9 mos	09-85	657.4	3.7	65.7	38.3	1.96	36.1	1891.3	10.7	169.9	16.9	5.08	15.5
Walter, Jim N	39.63	1.50	3.9	40.00	38.00	40.00	29.63	7,605	3.62	1.75	106.9	8.1	1.40	3.5	.....	9 mos.	05-85	579.8	2.7	31.2	6.1	1.43	5.9	1664.4	- 1.7	73.3	15.8	3.36	15.9
Waxman Ind M	10.75	- 1.00	- 8.5	12.00	10.25	16.88	5.91	1,031	3.29	1.50	119.3	16.0	.08	.7	.....	3 mos.	09-85	21.5	4.9	.6	- 14.3	.18	- 55.0	21.5	4.9	.6	- 14.3	.18	- 55.0
Weyerhaeuser N	30.88	2.13	7.4	31.38	28.50	34.00	24.75	30,951	2.38	.77	209.1	25.5	1.30	4.2	.....	6 mos.	06-85	1400.1	622.4	59.7	- 42.5	.41	- 43.8	2675.8	81.9	,97.9	- 30.3	.65	- 32.3

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
Volume Trend Change—% difference between "2-weeks shares traded % out" and "12-week avg. vol. as % of out."
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

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O—NASDAQ Over-the-Counter
M—NASDAQ National Market

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Homecrafters to sell remaining whses

(Continued from page 3)

ments with lessors of the closed stores would impact the ultimate success of its return to the smaller store concept.

"We're now in a G.O.B. [going out of business] mode in all 11 of the warehouse units," said corporate president Georges Hanzi late last month. "We're still in the midst of finalizing our plans, and we will have to see how successful we are in the G.O.B.'s before we can tell when we will return to profitability."

While Hanzi did not elaborate on the reasons why his chain of warehouse units did not show a profit, he noted the primary reason was that "we had volume expectations that we didn't attain. We decided it was the better part of valor to get out of the business."

The two warehouse units in Memphis had begun in recent months to show a profit, although their individual annualized volumes did not rise above $10 million each.

Many observers of the company cited two primary reasons why the Homecrafters stores could not achieve the volumes necessary to show a profit in the slim-margin warehouse retailing business. The primary reason seemed to be the locations of the chains' units, some in highly competitive, entrenched markets like Denver and Louisville. In such cases, Homecrafters did not have deep enough pockets to hang in for the long haul, as did competitors there. In other cases, stores were located either in places difficult to access, or in communities with lower incomes.

Another often-cited reason was the fact that, with its rapid roll-out of stores of a type it had not operated previously, Homecrafters simply did not have the time to tinker with its merchandising formula in its various markets to achieve profitability.

"If you look at Home Depot closely, you'll see that it took two years for the company to become profitable, as they underwent a learning curve," said Scott Baily, an analyst who follows Homecrafters for Smith Barney, Harris Upham, a New York brokerage that makes a market in the stock. "Homecrafters didn't have the deep pockets necessary to continue on until the stores became profitable."

> *'If you look at Home Depot closely, you'll see that it took two years for the company to become profitable, as they underwent a learning curve. . . . Homecrafters didn't have the deep pockets necessary to continue on until the stores became profitable.'*
>
> **—Scott Baily,**
> *Smith Barney, Harris, Upham*

The effect of rapidly expanding a warehouse chain with a relative scarcity of capital was to plunge Homecrafters into a condition of chronic illiquidity. The chain experienced, to a more severe extent, the same cash squeeze phenomenon that is impacting earnings at larger, more heavily capitalized chains like Home Depot and Mr. HOW Warehouse.

When Homecrafters first went to market with its stock in January of 1984, its current ratio was a healthy 3.8 to 1. But by the end of July of that year, the company had invested heavily in expansion. While cash flow generated by net earnings and depreciation came to a little over $1 million, the cash outflow was enormous. The company increased inventory by $9 million, at a time when its accounts receivables had increased by $4.9 million. In the six-month period that ended in July of that year, the company experienced a negative cash flow from operations that totaled over $12 million.

More recently, steps have been taken to put the company on solid financial footing. Over a six-month period that ended this past July, the company took drastic steps. It turned $4.4 million worth of inventory into cash. It freed up $2.6 million by stretching its accounts payable. These two measures, and others, brought about a net cash inflow of $2.2 million for the period, even though the company reported a loss of $3.3 million.

By the summer of this year, it was clear that the company would have to take yet further steps to return to profitability. At that point, its cash on hand and accounts receivable came to $13.7 million, while its short-term debt and accounts payable came to $34.7 million. A year earlier, the comparable numbers had been $17.4 million and $23.2 million. The decision was reached to sell the warehouse units, which were causing a cash drain on the company's coffers.

Corrections

A list, published in the Sept. 9 issue, of companies receiving packaging awards from the American Hardware Manufacturers Assn. inadvertently left out the Glouster Co., Franklin, Mass., which won first prize for its water proofing product packaging in the hard lines category.

A typographic error in the Sept. 23 issue resulted in the overstating of the number of new exhibitors attending the 1985 National Hardware Show. Of the 3,011 exhibitors this year, 111 were new.

The name Aqualine, a faucet brand of U.S. Brass, was inadvertently left out of a chart in the *National Home Center News* Brands Study (*NHCN*, Oct. 7).

The chart should have revealed that in aided recall 26% of respondents had heard of Aqualine. *NHCN* regrets the error.

The story headlined "Houston DIYers shop first at home centers," (*NHCN*, Nov. 18), mistakenly said that Houstonians will spend $249 per household less in total DIY purchases than they did in 1984. It should have said they will spend $249 more next year.

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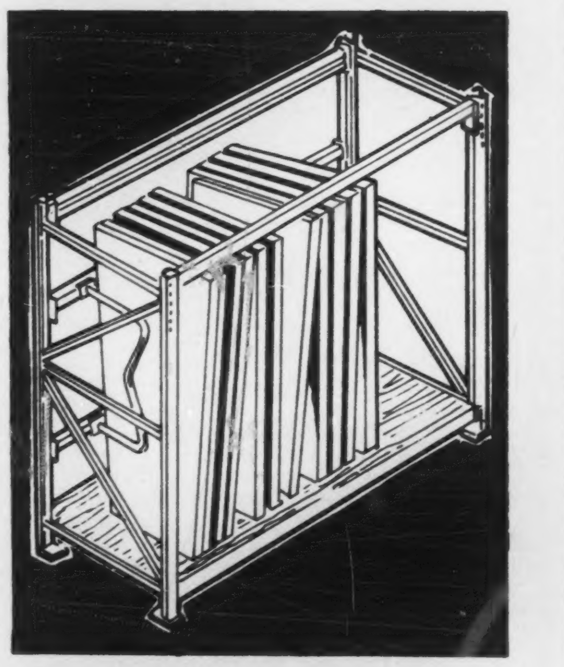

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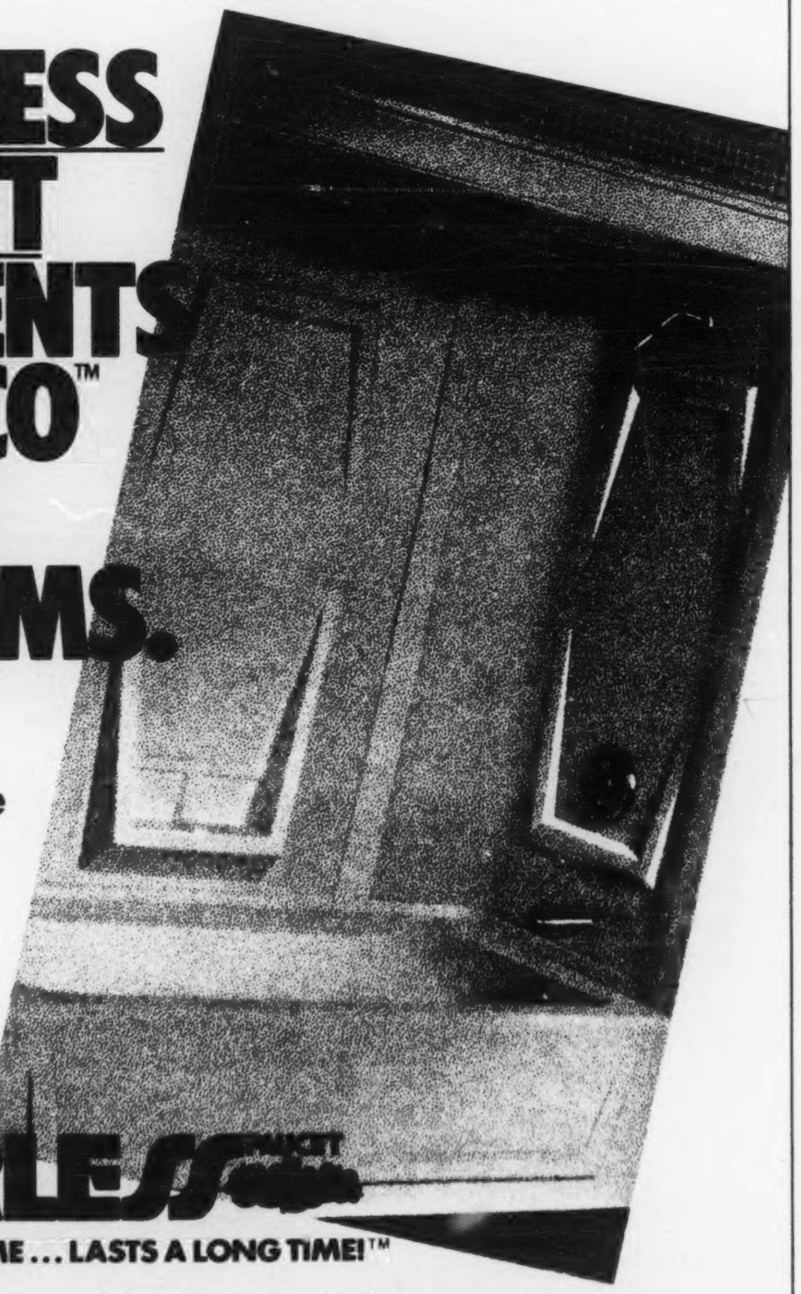

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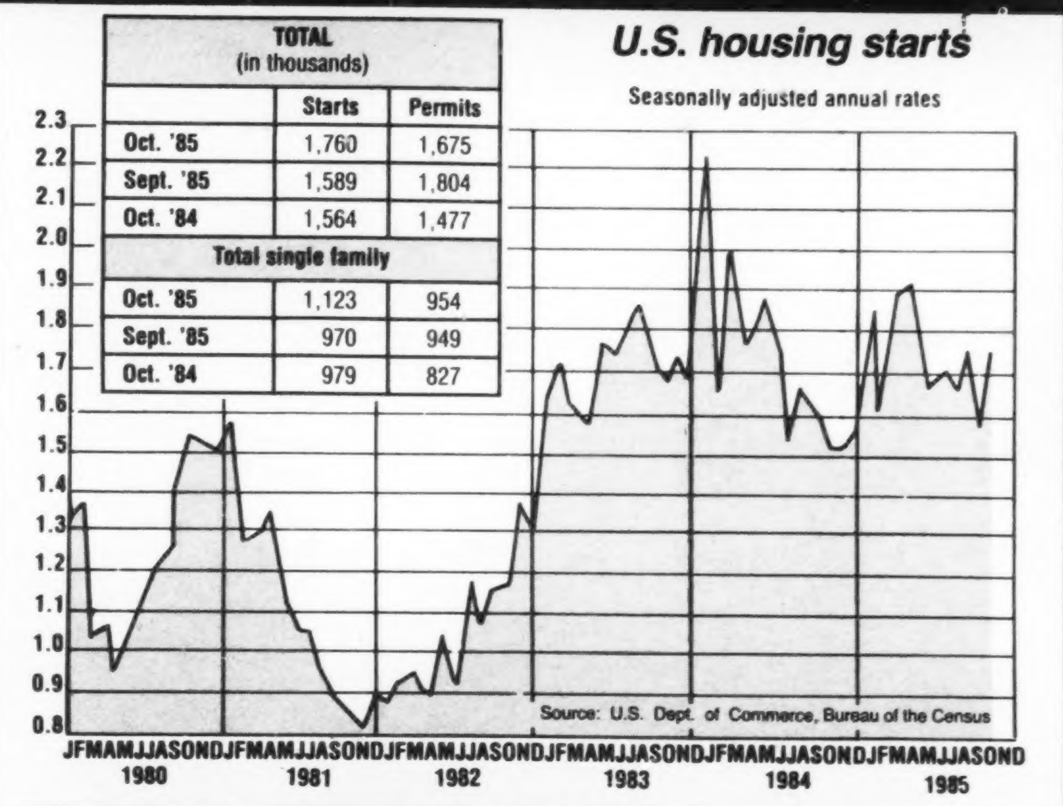
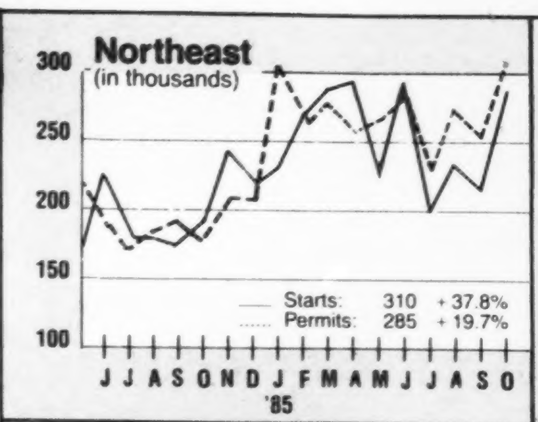
HOUSING WATCH

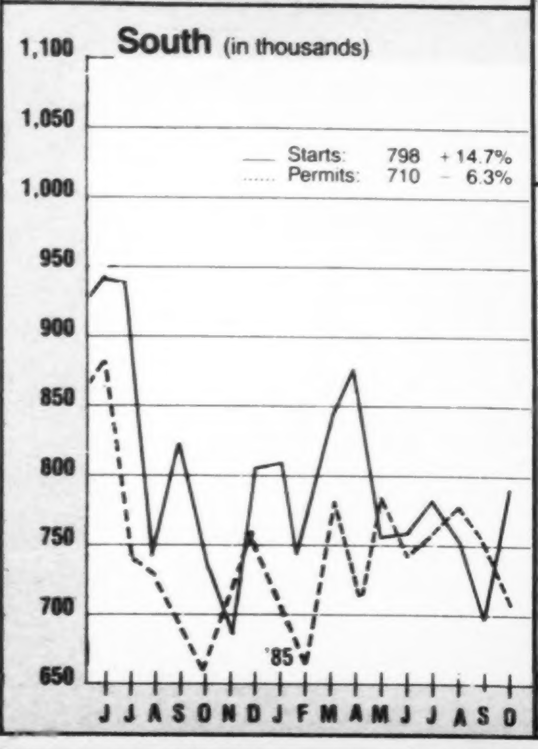


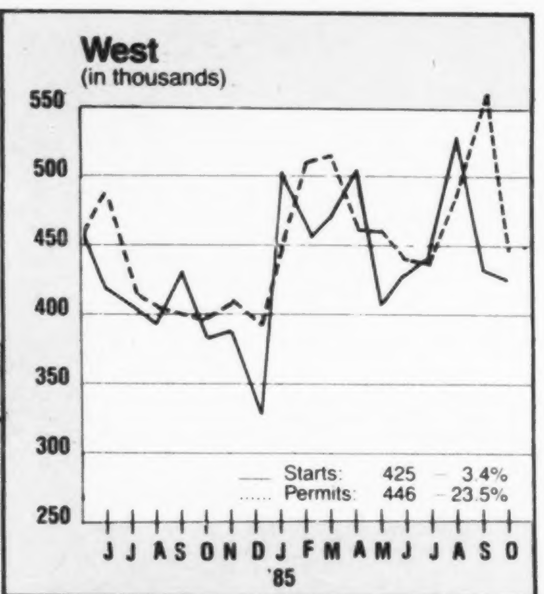
Source: U.S. Dept. of Commerce, Bureau of the Census

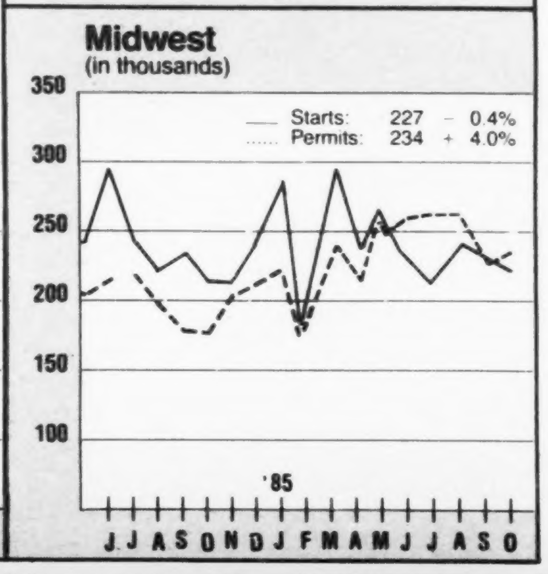
TOTAL (in thousands)	Starts	Permits
Oct. '85	1,760	1,675
Sept. '85	1,589	1,804
Oct. '84	1,564	1,477
Total single family		
Oct. '85	1,123	954
Sept. '85	970	949
Oct. '84	979	827

The 9% housing starts decline recorded in September was more than made up for in October when starts rose 10.8% to a seasonally adjusted 1.76 million units, according to figures released by the U.S. Commerce Department. Instead of 1985 being an off housing starts years, Gopal Ahluwalia, assistant staff vp-director of research at the National Assn. of Home Builders in predicting that the 1984 starts level of 1.74 million units will be reached.









October starts climb 10.8% to 1.76 million

NATIONAL REPORT — Lower interest rates and a lot of unused permits are credited with sparking a 10.8% jump in housing starts in October to a seasonally adjusted annual rate of 1.76 million units, according to Gopal Ahluwalia, assistant staff vp-director of research at the National Assn. of Home Builders.

The numbers are "high," Ahluwalia admitted, adding that the 3% to 5% housing starts decline predicted for this year probably won't occur at all.

"I think the seasonally adjusted housing starts will end up somewhere between 1.7 million to 1.8 million," Ahluwalia said. "And we will close the year very close to 1984 and even the same as last year, 1.74 million units."

According to the Federal Home Loan Bank Board, the contract interest rate for fixed-rate mortgages was 11.45% in October, up 0.01% over September.

While total housing starts rose in October, so did single family activity, by 15.8%, to a seasonally adjusted 1.23 million units. Permits, however, dropped 7.2% from September's active 1.8 million unit pace, to 1.67 million units, seasonally adjusted. Single-family permits inched up 0.5% during the same period, to a seasonally adjusted 954,000 units, according to the U.S. Commerce Department.

> *'I think the seasonally adjusted housing starts will end up somewhere between 1.7 to 1.8 million. And we will close the year very close to 1984. . . .'*
>
> —**Gopal Ahluwalia,** *assistant staff vp-director of research, National Assn. of Home Builders*

New construction was again strongest in the Northeast, where a housing starts increase of 37.8% was recorded in October, to a seasonally adjusted 310,000 units. Permit activity was also high in this region, up 19.7% to a seasonally adjusted 285,000 units.

Compared with October 1984, housing starts are up 45.5% and permits are ahead by 48.2% in the Northeast.

The only other region to record a housing starts increase in October was the South. It had a 14.7% rise in starts to a seasonally adjusted 798,000 units. Permit activity declined here, however, by 6.3%,

The West was the weakest region for new permits in October, declining 23.5% to 446,000 units, seasonally adjusted. Starts also declined, by 3.4% to 425,000 units.

Permit activity rose in the Midwest in October by 4% to 234,000 units, while the region recorded a 0.4% decline in housing starts, to 227,000 units, seasonally adjusted.

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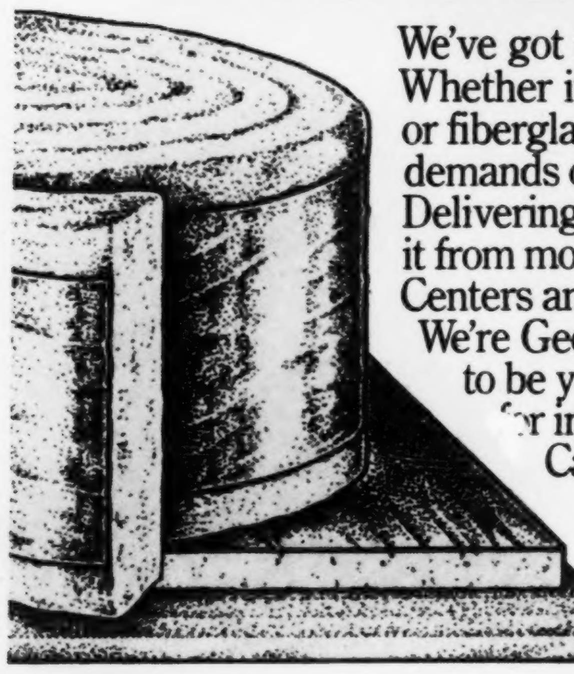

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LUMBER REPORT

Mixed 3 qtr. financial results reflect lumber industry's woes

NATIONAL REPORT — Major forest products producers turned in mixed financial performances for the third quarter, which tended to reflect the chronic economic woes that has plagued the industry for the past two years.

The relatively poor third-quarter earnings reports by the forest products producers underscored a host of ills stymieing profit, among these being oversupply, depressed lumber prices, increased lumber imports and a slackening housing market.

If there were any bright spots to the third quarter it would be shared by Louisiana Pacific Co. and the troubled Potlatch Corp., both of which posted increases in earnings.

In the case of Louisiana Pacific, net income for the quarter jumped 64% from $7 million in 1984 to $11.4 million for the same time period last year. Third quarter sales were $332.4 million, approximately 6% higher than 1984 period sales of $312.7 million. Net income for the first nine months of this year was up $18.7 million, on sales of $948.3, or 53¢ a share compared to 1984's nine-month net income of $40.2 million.

Harry A. Merlo, L-P's chairman and president, attributed the company's upbeat performance to lower operating costs and an increase in demand for the company's waferboard structural panels and other building supply products.

The Potlatch Corp., which earlier this year shut down two mills had some encouraging financial results for the third quarter.

Although revenues were flat for the third quarter, net earnings rose to $11.3 million from $11.2 million from 1984, from 4¢ per share to 65¢ per share.

Nine month sales trailed 1984's results which were $722.9 million, 5% behind the $757.8 million recorded. This produced net income per common share of $1.93 in 1985, compared to $2.22 last year .

Problems seen

Potlatch chairman and ceo Richard B. Madden indicated through a press release that the current competitive environment shows that difficult times remain ahead for the diversified forest products conglomerate.

Madden said the company's best earnings performance came from the paper and pulp divisions.

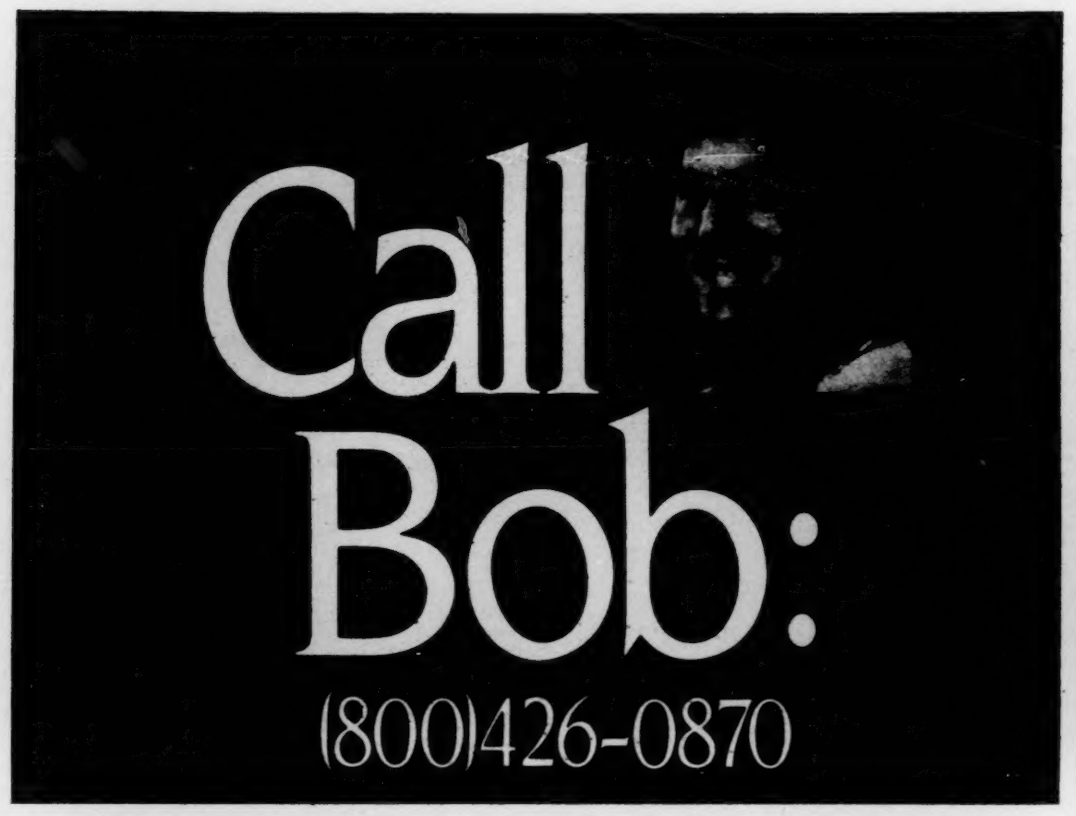
In other financial developments, Boise Cascade reported that its third-quarter profit dropped nearly 40%. The company blamed its poor performance on continued weak prices for lumber products and a decline in demand for certain grades of paper.

Boise's third-quarter earnings fell to $20.3 million or 65¢ a share, from a year-earlier high of $32.7 million, or $1.13 a share. Nine month profit declined 9% to $85.3 million, or $2.84 a share, from $94.1 million or $3.24 a share. Nine month sales fell 2%, from $2.94 billion to $2.84 billion.

Paper operations earnings were below the year-ago level, while profit from packaging and office products was flat. The wood products segments posted profit after a year-ago loss, which the company attributed to the success in streamlining and consolidating operations within the business.

Weyerhaeuser, the industry leader, similarly incurred nine month and third-quarter sales declines. The company's forest products markets continue to remain depressed and the overcapacity in the white paper, wood pulp is holding down prices, the company reported.

Third quarter sales amounted to $1.2 billion, or 24¢ a share, compared to last year's nine-month sales of $1.3 billion, or 40¢ a share. Net earnings for the first nine months was $136.5 million (down 31%) on sales of $4 billion (down 4%).



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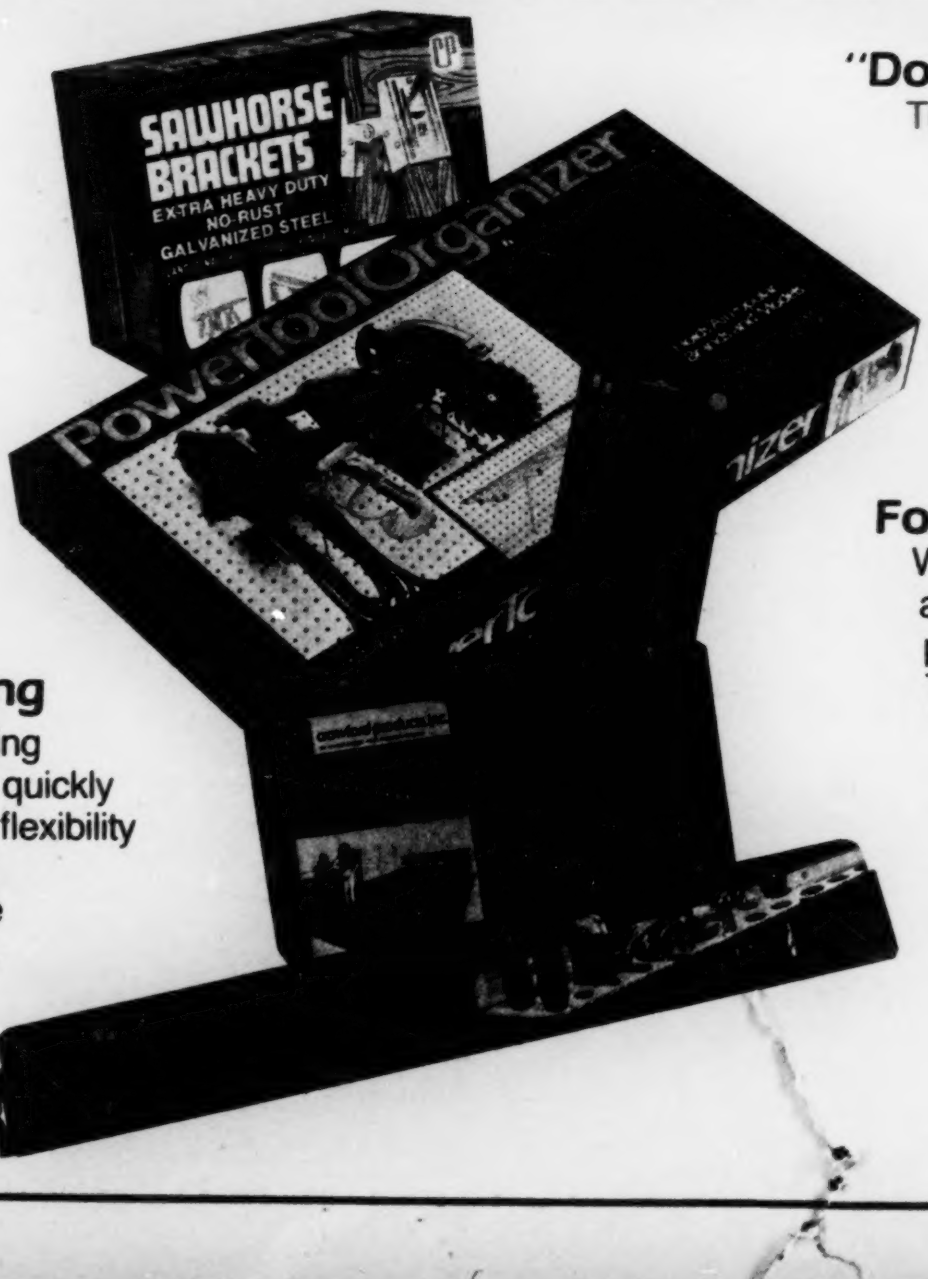

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